



Software Finance & Tax Executives Council

www.softwarefinance.org

February 26, 2003

The Honorable Ron Wyden
United States Senate
Washington, DC 20510

Re: S. 52, The Internet Tax Nondiscrimination Act

Dear Senator Wyden:

On behalf of the Software Finance and Tax Executives Council, I write to express the support of the software industry for S. 52, the Internet Tax Nondiscrimination Act and to applaud your continued leadership on this important issue. This legislation would make permanent the moratoria on state and local on internet access and on multiple and discriminatory taxes on electronic commerce first enacted in 1998 by the Internet Tax Freedom Act, legislation which you sponsored.

The Software Finance and Tax Executives Council (SoFTEC) is a trade association providing software industry focused public policy advocacy in the areas of tax, finance and accounting. SoFTEC's members have long been interested in the issues surrounding state and local taxation of the internet and electronic commerce. Its members, over the years, have supported your efforts at keeping access to the Internet state and local taxes and in keeping the playing field level for electronic commerce.

Since Congress wrote the original definition of Internet access, changes in technology and corporate business structures have made it clear that it is now possible for large enterprises to provide a broad array of otherwise taxable services with Internet access. The current definition appears to create the potential for discrimination in tax policy that would stifle competition and increase consumer costs, provide financial advantages to large enterprises, and erode state and local tax bases. Services delivered by large enterprises that can assemble the capital, technological, information and entertainment resources can combine an array of services with Internet access and would appear to be granted a tax-exemption under the current language in the moratorium. The same services delivered through the Internet by smaller enterprises without the bundling capability or by non-electronic means would remain taxable. There is no economic or tax policy justification for Congress to create this disparity. Expanded bundling by large enterprises can substantially erode the tax bases of state and local governments that tax services.

For the reasons stated above, we believe that any legislation making permanent the moratoria of the Internet Tax Freedom Act should include amendments to the definition of Internet access that address these problems. We look forward to working with your staff in arriving at a solution to these problems that is acceptable to all of the relevant stakeholders.

Again, SoFTEC applauds your continued leadership on the Internet taxation front and looks forwarding to helping build support for S. 52, the Internet Tax Nondiscrimination Act.

Sincerely yours,

A handwritten signature in dark ink, appearing to read 'Mark E. Nebergall', is written over the typed name.

Mark E. Nebergall

President

Software Finance and Tax Executives Council